Money and Civilization

The definition of the word money as given by the Encyclopaedia Britannica, Eleventh edition, would show that there is a great deal of confusion as to the real definition of the term money. We will quote from the Encyclopaedia Britannica as to the best definition of money has been complicated by the efforts of writers to to define the term as to give support to their particular. The difficult question as to the best definition of money has been complicated by the efforts of writers to to define the term as to give support to their particular the objects that have served for monetary user forms the money work: though their has been considerable hesitation in extending the term to those forms of credit that are in modern societies the chief instrument of exchange. It is therefore best to avoid a formal definition; and, instead, to bring out the character of money by describing the functions that it performs in the social system. The most important is, clearly, that of facilitating exchange. It is not necessary to dwell or the product of the control of the social system. The most important is, clearly, that of facilitating exchange. It is not necessary to dwell or the product of the social system. The most important is clearly that of facilitating exchange. It is not necessary to dwell or the social system of the social system. The most important is clearly that of facilitating exchange. It is not necessary to dwell or the social system of employments was only possible through the agent and the social system of employments was only possible through the agent control of the product of the products of the products of the products of the social system of the social sy

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Professor H. S. FOXWELL, one of the leading economists of Great Britain, in a lecture before the Royal Institution of Economists on April 26, 1917, said:

"The question now arises whether we are ready to FINANCE the new organizations. To install thoroughly up-to-date establishments on the scale now desirable must clearly be a very costly matter; and not only for this purpose, But to secure foreign markets, and to provide for the reconstruction of industry after the war, very large financial provision must be made.

In one country at any rate, quite exceptional attention has been given to this question of industrial finance. The German banking system, from its first inception in the 'fiffies, has devoted its resources mainly to this purpose, and with remarkable success. No doubt, as Riesser shows, the industrial bank was in its origin a French creation; the movement sprang from the enterprise of the Pereires and their Credit Mobilier, and ultimately from the genius of their master, Saint Simon. None the less, the French idea received its fullest development in the banking system of Germany. Germany has gradually elaborated her financial organizations until it has now become a principal, perhaps THE principal, instrument in the extension of her foreign trade and political power.

We have now to consider the situation thus created, and to inquire how far English traditional banking policy is adapted to deal with it, and what new developments are most argently required.

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We owe it to Mr. Runciman, more perhaps than to any other single person, that the question has now become one of practical politics. Speaking in the House of Commons, January 16, 1916, he observed: "If we are to do more in the future our banks must be a little more adventurous. If they cannot, in consonance with their present system, he more adventurous, let us have some additional institutions. At all events, commercial banking must play a large part if we are to hold our own against Germany.' As might have been expected, the term 'adventurous' acted on our bank hoards like a red rag on a bull. The annual addresses of bank chairmen during the next month were a series of profests against the minister's advice. But it will be noticed that Mr. Runciman was careful to speak conditionally. In some way or other our banking and finance must be more intimately associated with our industrial and commercial enterprise; but not necessarily by direct assistance from what we in this country call 'banks'—that is, the great deposit or clearing banks.

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Whatever form the connection takes, it must involve the system in some share, though not necessarily a dangerous share, in the 'venture' inseparable from enterprise. It we are going to abandon adventure in the United States and Germany we may look forward confidently to the decline of our commercial supremacy. It was precisely by adventure it was originally won. The famous companies who called themselves Merchants Adventurers knew that. The extraordinary development of German business in the last twenty-five years, both at home and overseas, is largely due to adventure, wisely considered and carefully planned, of her great banking groups.

But it does not follow that it is the proper business of the English deposit banks to engage in this adventure, at any rate in a direct fashion. Bagehot, writing forty-four years ago, and with our English type of bank in view, says: Adventure is the life of commerce, but caution, I had almost said timidity, is

the life of banking. The dictum has been widely approved; but, like most epigrams, seems a little strained. After all, even the accepted type of deposit banking is one great adventure. Jevons' famous estimate in 1876 of the English banking position will not soon be forgotten. The tall the merchants and other customers of the bank of the improvement of the tall the merchants and other customers of the bank of the gold money which they have a right to receive on demand at any moment during banking hours.

If we survey the world generally, and the mass of economic literature, we shall find that opinion is shanimous, except perhaps in this country, that the proper and primary business of a banking system is to finance industry and trade. This was eminently, the case with the old Scottish system, which has been praised by experts in all countries, and often described as the classical banking system. How comes it then that there should be any doubt as to the suitably of such work for the English banks of today?

The fact is, and it is very important that we should recognize it, that in England we have developed a system of bat this juncture is greatly to be deplored, lates for the lastitute of Bankers he observed that the British banking system differs from all others * * and it cannot conform to the conditions of the half-bank, half-investment, or pioneening conditions of foreign concerns. Even if we accept his inference, it only goes to show that our banking system requires some supplement, for we cannot afford to neglect business which all foreign banks regard as essential; and this is the described because of the critics. But what is the peculiar character of English ban 'ng, and in what way does it limit its power of financing industry?

With us, everything its sacrificed to 'liquidity,' though liquidity must certainly break down under any serious strain, as it almost implies fairly or an acceptance of the company promoter with some of industry instead of our, own. Mr. Grant tells out of insance foreigners, or o

alternatives are resort to the company promoter or the sale of debentures to a finance or trust company. These are mere makeshifts, utterly inadequate.

After all, the financing of industry and trade should be the main business of banking, using that term in its broader sense. It is the banking system which collects and concentrates the savings of the community. It should be its chief care to see that these are placed at the disposal of its own industry and trade, under the best possible conditions for success. This is precisely what the German banks have done. They have done it with such conspicuous success, and by methods and machinery so radically different from our own, that a study of their methods is perhaps the best way by which we Englishmen can approach the subject. German methods are all the more suggestive for our present purpose because German success is mainly due to organization, and it is precisely the organization of our ample existing resources, rather than the creation of new institutions, which is our most urgent need.

WE QUOTE AS FOLLOWS FROM "USURY AND THE BANKS," AS APPEARED IN THE FORUM OF NOVEMBER, 1916, BY HON, JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY:

Thoughtful and conservative bankers—the men who really lead the banking sentiment of the country—in numbers steadily and rapidly increasing are now setting their faces and giving their influence against an evil that for years had not only impeded the growth but was threatening the commercial life of important sections of our country, because oppressive and continuing usury inevitably means poverty and failure; and poverty and failure breed discontent which strikes blindly to destroy and tear down. Despair hates the conditions which have produced it and is ready to go to war against society and governments, regardless of means and reckless of consequences.

The business man, the laborer, the farmer driven to ruin by what he believes to be unjust exactions, sanctioned or permitted by law, becomes an anarchist at heart, carries w

hope but vengeance. His fury when he may give it vent is directed against the conditions under which he has been oppressed. The vice, or evil, or peril of usury—it is all three—is no new thing under the sun and was not peculiar to this country. It was spreading among us, however, with rapidity no casual observer would suppose, and in different communities was silently and secretly sapping the life and eating away the foundations of commercial and social life to an unsuspected extent. I do not wish to talk politics or to discuss socialism. I have had opportunity, however, to notice that States and communities in which literature presenting the most violent, dangerous and incendiary forms of perverted socialism was most eagerly read and accepted were precisely those in which my reports showed the interest charges to small borrowers were most extortionate.

The sin is one of the oldest known to humanity, and is believed to have been indirectly aimed at in the Tenth Commandment. The Hebrew word for usury signifies 'cruel biting.' Probably it began to bite along with the saber tooth tiger. Its derivation may have suggested to a great English judge of five centuries ago his attempt to distinguish between what he called 'biting usury,' meaning exorbitant rates, and 'toothless usury,' or reasonable interest charges.

THE USURER UNPOPULAR IN KING SOLOMON'S DAYS. The Israelites during the early years of their race maintained consistently their opposition to usury, although the Jews have figured so conspicuously since the Christian Era as such prominent exponents. Five hundred years after Moses, King David and King Solomon had things to say against usury, and the usurer seems to have

been a most unpopular character in those days. King David describes thankoly and just man, he who was cutified to enter into the courts of the Lord, as one who hath not given his money upon usury. The Jewish Talmud speaks of usury as a practice expressly forbidden.

The subject of usury, was specifically dealt with in the ancient codes of most nations. Under the Code of Manu, in India, interest was regarded as of doubtful propriety, and money lending was prohibited altogether to the superior castes, the Brahmins and Kahattriyas, and even for the other two grades, a sum lent to a person in distress may not give rise to any interest, because then the interest would be extortionate. The limits fixed by the Code were one and one-quarter per cent per month with security, and one and a half per cent per month without.

Among the Mohammedans the charging of usury was expressly prohibited. Money lending in Turkey until recent years was almost exclusively in the hands of Greeks and other foreigners.

The Law of the Twelve Tables among the ancient Romans authorised interest at the equivalent of ten per cent per annum, subsequently increased, toward the close of the Republic, to twelve per cent. It was then called usuria centissima because in one hundred months it doubled the capital, but this law was subsequently abolished and interest laid under a total interdict.

Julius Caesar enacted severe laws against usurers, and Cato is said to have banished the usurers from Sicily.

Later on, Tacitus tells us that the evil of usury greatly increased in Rome and the laws forbidding it were continually cluded, Some historians tell fix that from this period, when usury so flourished, Rome dates the beginning of her detay. Trade languished and became disreputable and fell under the control of the worst elements in the community, expearing the way for the calamitous events which preceded Rome's final downfall.

USURY CONTRIBUTED TO THE DECLINE OF ROME. In the reign of Charles II the legal interest was further reduced to six per cent,

It has become absolutely necessary & reduce the high rate of interest of six per cent to a nearer proportion with interest allowed in foreign states.

The various acts passed in the reign of Charles II, William III, and George II, George III and George IV provided that all securities given on a usurious consideration or upon a gaming transaction were absolutely void.

In this country the colonies first and the States later undertook to fix and regulate the rates of interest and to define and prohibit usury. Massachusetts fixed the legal rate at eight per cent in 1641, and reduced it to six per cent three years later. Some of the older States, however, refused to adopt usury laws until within recent years. In many of our States usury statutes have been most marked and where the transgressious against the usury law have been most marked and where usury has flourished most, ammolested, we find enterprise hampered and many unhealthy conditions engendered; which reminds one of a saying cradited to Diogenes, that "where neither laws have force nor water hath cowse, there no wise man seeks to dwell."

To the substantial business man, accustomed to reasonable accommodations from banks, there is a kind of ghastly humor in some of the revelations resulting from an investigation into the subject of usury conducted some months ago by the Comptroller's office.

USURY AIMS AT AMERICAN BANKS. It was accuratined at that time that 1247 national banks, out of a total of 7,500, were openly charging rates of interest forbidden by the laws of their respective States and by the National Bank Act, and that despite the easy money conditions 2,743 banks were charging on some of their loans interest of ten per cent per annum on all of its loans; another, an average of thempty five per cent per annum on all of its loans; another, an average of their per cent; and a third, an average of forty per cent per annum on ALL loans.

The alarming part of all this is that wherever such a case of oppression occurred the agitators, the chronic troub

A visitor to my office from a certain State not long ago, who held a high public office in that State, told me of a loan for \$90 made to a farmer to help him to raise his crops, the loan being for less than a year. He said that the bank had charged this farmer, in addition to a large rate of interest, an extra sum of \$50 for the trouble of going out to look at the land and for a few preliminaries to the loan.

The practice of making a deduction for expense, in addition to the rate

The practice of making a deduction for expense, in addition to the rate of interest, seems also to have been an ancient one and to have been resorted to hundreds of years ago. It has prevailed to an inexcusable extent up to a very recent date in certain of our States.

I am sincerely gratified to be able to report, after all this looking at the dark side of the picture, that in the past year or so there has been a vast improvement in the matter of interest rates throughout the country. The evil has been greatly mitigated, but it is not yet entirely eliminated. Hundreds of banks have made perpendicular drops from the excessive rates which they formerly charged. Many that had been charging on some of their loans as much as fifty per cent or twenty per cent, and in hundreds of cases they have

nuch as fifty per cent or twenty per cent, and in hundreds come within the legal rates of their respective States.

NOW, THE BANKS ARE REDUCING RATES. In oth only twelve per cent to fifteen per cent rates had prevain now accommodated at six per cent and digits per cent. now accommodated at six per cent and eight per cent. Some of adopted a conservative course and apparently have been afraid to relate too suddenly, but they are moving in the right direction. testifies under oath that it has succeeded in reducing its maximum 350 per cent to 109 per cent. Another in the same State reports a liready brought its maximum rate down from 350 to 30 per cent; of already brought their average rates of eighteen per cent as two per cent down to the legal rate of ten per cent."

INTEREST RATES

The study of interest rate will prove that rates are lowered as civilization advances. One hundred per cent per annum was customary in the dark ages—instruments of exchange and credit were unknown and every transaction was handled on a gold basis or by direct exchange of commodities. Modern society and civilization have been endeavoring to provide instruments of exchange and credit in order to facilitate commerce (commerce being in itself-nothing more than the business of exchanging commodities). The measure of a country's civilization can readily be estimated by the prevailing rates of interest and by the facilities available for its commerce. English bankers regard the value of commodities equal to the value of the money paid for these commodities and therefore when advancing funds or when guaranteeing, by virtue of their credit against commodities, exact only a reasonable, low rate of interest. Furthermore, English bankers are constantly using instruments of exchange and instruments of credit in the form of bankers' acceptances, sight and time bankers' credit for financing the movement of commodities, charging only small commissions for such facilities. The banker's and government's responsibility to the individual citizen is reflected in the ample facilities provided for the movement of commodities, recognizing that the welfare of the nation is dependent upon extension of banking facilities at a low rate of interest to market crops, to market labor, to buy and to sell and to exchange commodities.

The Federal Reserve Banking system is the very best and latest mechanism to finance trade—the movement of commodities from city to city, state to state, and nation to nation. It is of the utmost importance to the people of the United States that the Federal Reserve Board, as custodians of the funds and as guardians of the credit of the people of the United States, should be asked to provide the very best banking facilities at low interest rates to move our national and international commerce. France has recently established a Bank of the Exterior. Great Britain has in operation the British Trade Corporation. These institutions provide their people with facilities to transact their import and export business. The people of the United States are suffering from the handicap of inadequate banking facilities and from high rates of interest. Domestic and international commerce cannot move along freely until more banking facilities are provided and until rates of interest are lowered. We must compete with other nations, who have larger facilities and who maintain lower commodity rates of interest. We must move our commodities to other nations and likewise move the commodities of other nations to us, which can only be accomplished by ample banking facilities, low rates of interest and full recognition of commodity values.

GENOA, ITALY

WASHINGTON, D. C.

NEW YORK

BALTIMORE

TORTOSA, SPAIN